	Dividends (%)	Interest (%)	Royalties (%)
Botswana	5/10[1]	7.5	10
China	5	10	10
Cyprus	0	0	5
Eswatini (formerly Swaziland)	7.5/10[1]	7.5	10
Ethiopia	5	5	5
Guernsey	0	0	5
Indonesia	10	10	10
Isle of Man	0	0	5
Jersey	0	0	0
Kenya	5	10	10
Luxembourg	0/10[2]	5	5
Malaysia	10	10	10
Mauritius	0	0	0
Monaco	7.5	5	10
Oman	0/5[3]	5	10
Qatar	0	0	5
San Marino	0/5[4]	0/5[6]	0
Singapore	0	12	8
South Africa	5/10[5]	0	0
Sri Lanka	7.5/10[1]	10	10
Thailand	10	10/15[7]	15
United Arab Emirates	0	0	5
Vietnam	10	10	10
Zambia	5/10[1]	5	10

Notes:

1. The reduced rate applies if the beneficial owner is a company which holds at least 25% of the capital of the dividend-paying company.
2. The 0% rate applies if the beneficial owner is a company (other than a partnership) which holds directly at least 10% of the capital of the paying company.
3. The 0% rate applies to dividends paid to the Government, including local authorities thereof, a political subdivision, the Central Bank or any financial institution controlled by the Government.
4. The 5% rate applies if the beneficial owner is a company which has held directly at least 10% of the capital of the paying company for an uninterrupted period of at least 12 months prior to the decision to distribute the dividends. The 0% rate applies in all other cases.
5. The reduced rate applies if the beneficial owner is a company which holds at least 10% of the capital of the paying company.
6. The 0% rate applies to interest on debt-claims or loans paid to banks and financial institutions and on deposits made with banking or financial institutions while the 5% rate applies in all other cases.
7. The reduced 10% rate applies to interest paid to financial institutions (including insurance companies).
8. The 0% rate applies if the beneficial owner of the dividends is a resident company of the other state and which at the moment of the payment of the dividends holds, for at least 12 months (uninterrupted), shares representing directly at least 25% of the capital of the company paying the dividends. The 5% rate applies if the beneficial owner is a company which holds directly at least 10% of the capital of the dividend-paying company.

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SIERRA LEONE

MEMBER FIRM

City	Name	Contact Information
Freetown	Madonna Thompson	+232 76 294 555 madonna.thompson@pkfmasonhill.com

BASIC FACTS

Full name:	Republic of Sierra Leone
Capital:	Freetown
Main languages:	English
Population:	8.28 million (2022 estimate)
Monetary unit:	Sierra Leone Leones (SLL)
Internet domain:	.sl
Int. dialling code:	+232

KEY TAX POINTS

- The standard corporate income tax rate is 25%.
- Dividends paid to a non-resident corporate shareholder are subject to a final 10% withholding tax.
- Interest paid to a non-resident company is subject to a final 15% withholding tax.
- Royalties paid to a non-resident company are subject to a final 25% withholding tax.
- Losses can be carried forward for up to ten years, subject to a limit of 50% of chargeable income for the respective year of assessment. Losses cannot be carried back.
- The standard GST rate is 15%.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

The National Revenue Authority (NRA) in Sierra Leone administers most of the taxes payable including the major revenue contributors. The Domestic Taxes Department (DTD) of the NRA was established as a 'one-stop shop' for the administration of all Sierra Leone's domestic taxes – namely the Goods and Services Tax, Pay-As-You-Earn (PAYE), Income Tax, Withholding Tax and Payroll Tax. The tax year of assessment is 1 January to 31 December. The 2022 Finance Act, which came into law in January 2022, brought in some key changes to the existing tax regulations.

RESIDENTS AND NON-RESIDENTS

Resident individual

1. An individual shall be treated as resident in Sierra Leone for the entire year of assessment if that individual:
   - Has a normal place of abode in Sierra Leone and is present in Sierra Leone at any time during the year of assessment;
   - Is present in Sierra Leone on more than 182 days in a twelve-month period that commences or ends during the year of assessment; or
   - Is an official of the Government of Sierra Leone posted overseas during the year of assessment.
2. An individual who was not a resident in the preceding year of assessment shall not be treated as a resident for the period preceding the day the individual was first present in Sierra Leone during the year of assessment.
3. An individual who is not a resident in the following year of assessment shall not be treated as a resident for the period following the last day on which the individual was present in Sierra Leone during the year of assessment if during that period the individual had a closer connection to a foreign country than to Sierra Leone.
4. For the purposes of this section an individual shall not be treated as present in Sierra Leone on any day when:
   - The individual crosses the border to Sierra Leone to perform services as an employee in Sierra Leone;
   - The individual is in transit between two points outside Sierra Leone;
   - The individual is present in Sierra Leone for the purpose of medical treatment or full-time study; or
   - The individual is present in Sierra Leone by of diplomatic status or being dependant of a person with diplomatic status.

Temporarily resident individual

An individual treated as resident, shall be treated as temporarily resident in Sierra Leone for the entire year of assessment if that individual:

- Is not a citizen of or domiciled in Sierra Leone;
- Does not intend, during the year of assessment, to reside in Sierra Leone for a total period of more than four years, and
- As of the end of the year, has not been resident in Sierra Leone for more than four years.

A company is a resident company if it (a) is incorporated or formed under the laws of Sierra Leone (b) has its effective management and control in Sierra Leone or undertakes the majority of its operations in Sierra Leone. A branch in Sierra Leone of a non-resident company is deemed to be a separate person, which is a resident company.

COMPANY TAX

The Corporate Income Tax (CIT) rate remains at 25% for all entities except manufacturing companies. The amendment reduced the CIT rate from 25% to 15% for manufacturing entities or factories whose management and functional activities are exclusively set up outside the Western Area.

The main objective of this amendment is to encourage Manufacturing Companies to establish outside of the Western Area. Manufacturing entities that are not companies are not qualified for CIT rate reduction. It means qualifying Manufacturing Companies will now pay tax on their chargeable income at a lower rate of 15% instead of 25% paid by companies not exclusively operating outside the Western Area.

Temporarily resident taxpayer

The calculation of the chargeable income of a temporarily resident taxpayer is similar to that for a resident taxpayer except assessable income includes only Sierra Leone source income and income from other sources that is remitted to Sierra Leone.

A company is considered a resident if it satisfies the three alternative tests of residence; place of incorporation; place of management and control; and place of majority of operations. Subject to subsection (2), a company that does not satisfy any of these tests is a non-resident person for the year of assessment.

Non-resident companies pay tax at the rate of 25% on income sourced in Sierra Leone. A permanent establishment of a non-resident person in Sierra Leone shall be treated as a resident person separate from but associated with its non-resident owner.

Partial corporate income tax exemption

There is a 25% partial corporate income tax exemption for a taxpayer who undertakes Corporate Social Responsibility (CSR) projects in the normal course of business in government priority areas such as free quality education, children's right and teenage pregnancy, infant mortality and health care, agriculture (food and cash crop).

Minimum turnover tax for online and digital transactions

There is a 1.5% tax on the turnover of all digital and electronic transactions and sales on the universal income derived by a resident taxpayer in Sierra Leone.

Allowable deduction for losses of group members – Intergroup loss relief

The regulation now allows group members of a company fully registered in Sierra Leone with a minimum of 25% holding in the group, to recoup losses of members in the same group up to ten years, provided that ownership and control are tested by reference to the ordinary share capital, voting rights, dividend rights and rights to distributions on liquidation.

Allowable deduction for interest expense

The tax regulation has further placed a limit on the interest expense allowable for deduction from 50% to 30% of the person's chargeable business Income, plus financial gains derived, which means that in ascertaining a person's chargeable income for a year of assessment, the total deduction for financial costs shall not exceed 30% of the person's chargeable business income, plus financial gains derived by the person.

CAPITAL GAINS TAX

Capital gains tax shall be payable by a chargeable person at the rate of 25% (decrease from 30%) of the capital gain accruing to or derived by that chargeable person from the disposal of a chargeable asset owned by a chargeable person. Chargeable asset includes land and sea, property attached and integrated equipment, fixtures, improvements including leases, anything growing on the land and all interest in the property including sea which may be right to future ownership, right to occupy as tenant, life estate, the right to explore, develop, extract or produce oil, and other minerals, the right to shares, stocks and other investment opportunities in an entity, business or company, intellectual property rights, reversion of property , if it is not used for its current purpose, an easement across another person's property and any other privileges relating to the property, business and business asset including goodwill wherever situated;

Chargeable disposal means the sale, realization or change of hands of a chargeable asset other than those specifically exempt from capital gain and chargeable person means a person, individual, corporation and related organizations including permanent establishment, associates, affiliates and joint ventures which have made chargeable disposal of a chargeable asset during a year of assessment.

Exemption from capital gains

- capital gain of a person that is up to and under the minimum chargeable income of SLL 6,000,000 per annum or per transaction;
- capital gain accruing to or derived by a company out of a merger, amalgamation or re-organisation of the company where there is continuity of underlying ownership in the asset of at least one quarter;
- capital gain resulting from a transfer of ownership of the asset by a person to that person's spouse, children, parent, brother or sister;
- capital gain resulting from a transfer of ownership of the asset between former spouses as part of a divorce settlement or a genuine separation agreement;
- capital gain where the amount received on realisation is, within one year of realisation, used to acquire a chargeable asset of the same nature (referred to as "replacement asset"); and
- Where part only of the amount received or realised is used in the manner referred to in the preceding paragraph, any part of the capital gain represented by the amount used to acquire the replacement asset is less than the cost base of the asset realised at the time of realisation.

Withholding tax exemption on dividend pay to company within a Group

According to the amendment, a company including a company within a group which received dividend from another resident company is now exempt from paying Withholding Tax. The key change is the inclusion of a company within a group.

Reduction of deemed dividend tax rate

The amendment reduces tax paid on Retained Earnings from 30% to 10% when it is in excess of 50% post-tax profit in a current year of assessment for all cooperate entities including parastatals.

BRANCH PROFITS TAX

A branch in Sierra Leone of a non-resident company shall be subject to tax on repatriated income at the rate of 10% as though such income were a dividend taxable under section 118, this tax being in addition to income tax on the chargeable income of the branch. Repatriated income is the higher of:

- Funds repatriated in the year out of accumulated profits; and
- The chargeable income of the branch minus Sierra Leone income tax paid on that chargeable income and any profit reinvested or retained in the branch.

SALES TAX / GOODS AND SERVICES TAX

The Goods and Service Tax (GST) is a form of Value Added Tax (VAT) with a tax rate of 15%:

- It is a general tax on consumption expenditure;
- It is collected by GST registered businesses on behalf of the tax authorities;

- It is charged as an addition to the price of goods and services at importation, wholesale and retail stages;
- At each stage in the chain of production and distribution of goods and services, GST is effectively charged on the value added generated.

Export will be zero-rated and imports will be levied the same taxes as domestic goods and services adhering to the destination principle. Turnover threshold for supplies over a 12-month period is SLL 350,000,000. GST applies to each of the following (with some exceptions):

- All goods subject to customs duty;
- All goods subject to excise duty;
- All goods listed in the First Schedule of the GST Act 2009. These include foods and beverages, wines and spirits, hydrocarbons, tobacco, cement, medicines, paints, perfume and toiletries, soaps, detergents, candles, matches, plastics, paper and paper articles, ammunition and weapons, furniture, motor vehicle bodies, structures and parts of structures for building, bridges, etc.

Zero Rated Supplies: (a) Exports of goods including rutile and its by-products, iron ore, bauxite, gold, diamonds and other minerals (b) Goods shipped as stores on vessels and aircraft leaving Sierra Leone.

Exempted Supplies: **The Second Schedule of The Goods and Services Tax Act 2009 Is Amended as Follows:**

by repealing and replacing paragraph (13) with the following new paragraph:

Supply- Plant, equipment and machinery Description - Plant, equipment, machinery, apparatus and appliances designed for use exclusively in

  - Agriculture, veterinary, fishing and horticulture;
  - Manufacturing; and
  - Mining.

This paragraph shall be classified as exempt under the harmonised systems commodity classification code (b) by inserting the following new paragraphs immediately after paragraph (29)

Supply: Materials for the conduct of national elections. Description: All materials imported by Government or development partners on behalf of the Government for the conduct of elections by the National Electoral Commission.

Arms, ammunition, and security equipment

Description: Arms, ammunition, specialised security vehicles, public order and communication equipment imported by the Government or by a person authorised by Government to do such for and on its behalf.

Supply: Medals and Medallions

Description: items of medals, medallions and other decorations imported directly by or for the Government for awards by the President and for the use of the Ministries of Defence and Internal Affairs.

Amendment to the Goods and Services Tax Act [GST] 2009

Section 37 of The Goods and Services Tax Act 2009 Is Amended By:

inserting the following new subsections immediately after subsection (3)

A taxpayer who fails to file a return-

- within 30 days after the due date shall be termed a late filer;
- after 30 days of the due date shall be termed a non-filer.

The following penalties shall apply to a late filer of an annual tax return who files after the due date without good course:

- large taxpayer -SLL 50,000,000
- Medium taxpayer – SLL 25,000,000

A taxpayer who without good course fails to file an income tax return and any other return required by this Act within the stipulated period shall be liable to the following penalties:

- Large taxpayer – SLL 100,000,000
- Medium taxpayer – SLL 50,000,000

repealing and replacing that section with the following new section:

Section 58 of The Goods and Services Tax Act 2009 Is amended by:

"A person who fails to pay GST on or before the date due for payment is liable to a penalty equal to one-twelfth of the 364-day treasury bill rate for each month in which the GST remains outstanding until the payment is made".

Section 99 of The Goods and Services Tax Act 2009 Is amended by:

"The Commissioner- General shall issue to a resident person and a non-resident person with no permanent establishment in Sierra Leone but whose income source is from Sierra Leone, a unique Taxpayer Identification Number (TIN), which number may be the same used to identify the person for the purposes of income tax, customs duty, Goods and Services Tax or non-tax revenue or any other transaction with the National Revenue Authority".

Taxable Supply

The 2021 Finance Act introduced a new paragraph which includes the following supplies as part of a taxable supply:

(h) digital market supply or digital services through a digital marketplace, refers to e-platforms, whether e-medium, e-commerce, peer-to-peer (P2P), advertising-based, agency or subscription-based that include:

- downloadable digital contents, subscription-based media; software programs; electronic data management; supply of music, film, and games electronically; online sale of goods; and any online betting activity;
- search engines and automated help desk services, online tickets, e-learning platforms, audio, vision or digital media, transport hailing platforms, among others.

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Upfront payment of GST by tax exempt persons and organisations

The Act clarifies what is required of GST relieved persons as follows:

- To pay GST on goods and services as charged by suppliers;
- Request for refunds of those GST input credits to be paid 90 days after submission of claims;
- Present evidence of payment of GST on the particular goods and services upon filing of their requests for refunds.

Issuance of GST Invoice and the use of Electronic Cash Register System

The Act encourages consumers who buy or receive services from GST-registered suppliers to request for GST invoice. It also requires GST-registered businesses to maintain an electronic cash register to invoice and record all transactions, and issue to the customer an original GST receipt or invoice generated from the electronic cash register system or any automated system of the National Revenue Authority in respect of all supplies of goods and services made, whether such GST receipt or invoice is requested by the customer or not.

Registration on Integrated Tax Administration System [ITAS]

Full roll-out of the Integrated Tax Administration System (ITAS) was introduced in the last quarter of 2021 and is now in full operation in 2022. All tax payers – small, medium and large – are mandated to formally register with the National Revenue Authority via the ITAS online system in order to process all tax returns. A new tax number (TIN) will then be generated by the Tax portal. All previous TIN numbers are no longer valid. All tax submissions must be made through the new online ITAS portal.

FRINGE BENEFITS TAX

Non-cash benefits given by employers to employees are included in employment income on the basis of the higher of the cost to the employer or the market value.

Non-cash benefit

Motor vehicle	Value to be added for tax purposes P×(R+20%C) where C is the purchase cost or full lease cost of the vehicle; P is the proportion of the employee's non business use; R is the employer portion of the running cost of the vehicle in the year.
Accommodation	Market rent of accommodation reduced by payment made by employee toward the benefit
Discharge/reimbursement of employee utility expenditure	Amount paid or reimbursed
Provision of domestic assistants	Employer's contributions towards the total emoluments paid to domestic assistant
Provision of meal, refreshment or entertainment	Actual cost to employer of providing the benefits
Waiver of an obligation	Amount of payment or repayment waived

LOCAL TAXES

The City/Town Councils in the 14 Districts administer local taxes.

OTHER TAXES

1. **National Social Security and Insurance Trust (Nassit)**

The National Social Security and Insurance Trust (NASSIT) is a Statutory Public Trust set up by the National Social Security and Insurance Trust Act No. 5 of 2001 to administer Sierra Leone's National Pension Scheme. The primary responsibility of the Trust is the part replacement of income lost as a result of the contingencies of old age, invalidity and death. Employers and employees contribute 10% and 5% respectively of the employees' employment income.

2. **Small, Micro, Medium and Large Tax Payer - New Definition of Taxpayer Categories**

   AMENDMENT TO THE INC0ME TAX ACT 2000

Section 2 of the Income Tax Act 2000 is amended by:

Deleting the definition of "gross income", "large tax payer ", "medium taxpayer", "small taxpayer" , and "micro taxpayer" and inserting the following new definitions:

- **Gross income;** In relation to any year of assessment for any person means the total amount in cash or otherwise, received by or accrued to or in favour of such person from all sources during the year or period of assessment excluding receipts and accruals of a capital nature.
- **Large taxpayer;** Means a taxpayer with an annual turnover of an amount above SLL 5,000,000,000 or other additional requirements as may be prescribed by the Commissioner-General.
- **Medium taxpayer;** Means a taxpayer with an annual turnover of an amount above SLL 100,000,000 and up to SLL 5,000,000,000.
- **Small taxpayer;** Means a taxpayer with an annual turnover of an amount above SLL 10,000,000 and up to SLL 100,000,000.
- **Micro taxpayer;** Means a taxpayer with an annual turnover of less than SLL 10,000,000.

The Act provides tax relief for SMEs on income derived in the first year of business operations from 1 January 2021 to 31 December 2023. This is to help reduce start-up costs for SMEs.

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Section 100 of the Income Tax Act 2000 is amended by repealing and replacing subsection (1) with the following new subsection ''Upon application in writing by a taxpayer who files tax returns by the due date, the Commissioner-General may extend the period within which the return of income is to be made by a maximum period of sixty days upon payment of the following fees:

(a) large taxpayer – SLL 20,000,000

(b) medium taxpayer – SLL 10,000,000

(c) small taxpayer – SLL 1,000,000"

3. **Payroll Tax**

Non-resident individuals are subject to a 25% income tax rate on personal income derived from activities and employment in Sierra Leone.

All employers are obliged to make a yearly payroll tax return for all non-citizens (foreign national) employees they hire, as follows:

- ECOWAS Nationals: SLL 1,500,000 per employee per year;
- Non-ECOWAS Nationals: SLL 5,000,000 per employee per year.

The amount payable, together with the completed Return, must be submitted to the DTD on or before 31st January of the year in which they apply. Where a non-citizen is employed in the course of the year, a subsequent return and payment must be filed within 14 days from the date of the employment.

4. **Business Registration**

The Corporate Affairs Commission (CAC) is tasked with the registration of all Companies, both locally incorporated business and branch registration in accordance with the Companies Act 2009.

5. **Inheritance / Estate duty**

A tax duty of 10% of the value of the entire estate is payable.

6. **Stamp and Transfer Duty**

Stamp duty rates vary from 1% to 12.5%. This applies to agreements, bills of exchange, promissory notes, bills of lading, bonds, leases and conveyances.

B. DETERMINATION OF TAXABLE INCOME

Deductions for income tax assessment purposes include expenses incurred necessarily to obtain, maintain and preserve such income. The Income Tax Act 2000 lists specific regulations for dealing with fixed assets, real estate, products, shares or securities sold, as well as deductible property plant and equipment, depreciation, bad and doubtful debts and meals, refreshment and entertainment.

CAPITAL ALLOWANCES

Depreciable assets are classified into groups with depreciation rates as follows:

1. Plant, machinery and equipment, including automobiles and trucks: 40%
2. All other tangible depreciable assets except buildings & intangible depreciable assets: 10%
3. Buildings used to house industrial, manufacturing, or agricultural activities: 15%
4. Buildings used to house commercial activities other than those described in group 3: 10%
5. Buildings other than those described in groups 3 and 4: 5%
6. Expenditure on start-up costs on mineral and petroleum prospecting and exploration: 100%
7. Production rights and other expenditure incurred on mineral and petroleum development
8. Shall be as follows:
   - Initial allowance: 40%
   - Annual allowance: 20%.

INVESTMENT ALLOWANCES

The amount of investment allowance to be deducted from business income is 5% of the cost of the relevant asset.

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BUSINESS INVESTMENT RELIEF

The maximum relevant amount of business investment relief available to an individual is fifty percent of qualifying investments totalling not more than SLL 3, 000,000 in any year of assessment.

New businesses that invest at least USD 10 million and existing businesses that invest USD 5 million in the expansion of their business will be granted duty free importation of 3 years for the imports of plants, machinery excluding spare parts and general-purpose vehicles (vehicles for personal use are excluded) for use in their business operations.

Public Private Partnership (PPP) infrastructural projects get 15 years relief from corporation tax.

DEPRECIATION

Depreciation is not allowed. However, capital allowances deduction for depreciation of a taxpayer's depreciable assets are allowed.

STOCK/INVENTORY

Trading stock:

- A taxpayer who maintains trading stock shall establish and maintain inventories of such stock.
- A deduction shall be allowed for the cost of trading stock sold during the year of assessment.
- The cost of trading stock sold in a year of assessment shall be determined by adding to the value of opening trading stock the cost of goods acquired during the year and subtracting the value of closing trading stock.

- A cash-basis taxpayer may calculate the cost of trading stock on the prime-cost or absorption-cost method and an accrual-basis taxpayer shall calculate the cost of trading stock on the absorption-cost method.
- The value of trading stock on hand at the end of the year of assessment shall be the lower of its cost or market value at that date.
- Where particular items of trading stock are not readily identifiable, a taxpayer may account for the trading stock on the first-in-first-out method or the average-cost method, but once chosen, a stock valuation method may only be changed with the written permission of the Commissioner, and a taxpayer using the last-in-first-out method shall change to the first-in-first-out or the average stock method within five years from the date of commencement of this Act.

CAPITAL GAINS AND LOSSES

- The gain realised or the loss incurred on the disposal of a business or investment asset is taken into account in determining chargeable income.
- The gain from the disposal of an asset is the excess of the consideration received over the adjusted cost base of the asset.
- The loss from the disposal of an asset is the excess of the adjusted cost base over the consideration received.
- The gain or loss on disposal of an asset which is not a business or investment asset is not taken into account in determining chargeable income.

DIVIDENDS

Dividends received from an investment in Sierra Leone by a resident and a non-resident person is subject to a final withholding tax at 10%. The withholding tax on dividend does not apply to a dividend paid by a resident company to another resident company or to a complying retirement fund resident in Sierra Leone. Under certain conditions, payments other than distributions out of profits may be treated as dividends.

INTEREST DEDUCTIONS

A taxpayer that is not a bank is entitled to a deduction of eighty percent of the interest expenses paid in respect of a debt obligation incurred by the taxpayer to produce assessable income.

LOSSES

Losses can be carried forward. Any allowable loss suffered by the taxpayer to the extent that the loss has not been deducted in a previous year of assessment in-so-far as the tax payable each year will be less than 50% of the tax due if such loss is not carried forward.

FOREIGN SOURCED INCOME

Income is from a foreign-source if it is derived from an activity which occurs outside of Sierra Leone. Any income which is not from a source in Sierra Leone is foreign-source income.

THIN CAPITALISATION

The limitation of the deductibility of interest expenses that are borne on a loan from a shareholder or his associate is restricted to 50% of the excess of that loan over the shareholder’s paid-up shares

Furthermore, the standard gearing ratio applicable to mining companies is 3:1. Excess interest is deemed a dividend.

PROFESSIONAL SERVICE PROVIDERS

The 2021 amendment exempts a professional service provider whose income is already subject to 10% withholding tax per transaction from paying further 5.5% on its service fee. This is regarded as double taxation of the same income. The clarity provided by the Act now means that professional service providers (i.e., doctors, lawyers, accountants, engineers, and management consultants) are now excluded from the Withholding Tax rate of 5.5% chargeable on payments made to contractors. Thus, payments made to professional service providers should now only attract 10% WHT.

EMPLOYMENT OF FEMALE MANAGERS

The regulation provides a tax rebate (tax credit) to a business that employs a female employee in a management position between 1st day of January 2021 and 31st day of December 2023. That business shall be eligible to a tax credit at a rate of 6.5% on the PAYE of that female employee. However, such tax credit is not automatic, as it will have to be approved under a Utilisation Plan with the National Revenue Authority (NRA) as stated under section 19 of the same Act.

INCENTIVES

Importation of plants, machinery or equipment

The following shall be entitled to duty free import for a period of three years from the date of first registration:

- New and existing businesses importing plants, machinery or equipment excluding vehicles;
- New business if it invests at least USD 10,000,000; and
- An existing business if it invests at least USD 5,000,000 in expanding the business.

Petroleum refinery

A petroleum refinery investing a minimum of USD 20,000,000 and employing at least fifty Sierra Leonean citizens shall be eligible for the following relief:

- A corporate tax relief not exceeding five years; and
- Equipment and machinery for establishing the refinery shall be imported free of duty for a period of five years.

A new business investing a minimum of USD 2,000,000 and employing at least twenty Sierra Leonean citizens shall be eligible for the following relief:

- A corporate tax relief not exceeding five years; and
- Equipment and machinery for establishing a new business shall be imported duty free for a period of five years.

Agriculture

(1) Entities engaged in agricultural production shall be entitled to duty-free import of agricultural inputs for a period of five (5) years from the date of first registration.

(2) For the purpose of this section "agricultural inputs" means:

(a) Fertilizers;

(b) Pesticides;

(c) Insecticides;

(d) Seeds and seedlings;

(e) Hybrid tree seeds;

(f) Seed animal for feeding purpose;

(g) Day-old-chicks; and

(h) Animal segment

(3) The income derived from investment in poultry business shall be exempt from income tax for a period of three (3) years:

(a) (a) In the case of a Sierra Leonean citizen if the investment is at least USD 50,000; and

(b) (b) In the case of a non-citizen, if the investment is at least USD 500,000.

(4) Import of feeds, vaccine and veterinary drugs for poultry and livestock shall attract duty free import for a period of five years from the date of commencement of business.

Research and Development

For the purposes of income tax, any expenses incurred on research and development by an investor, shall be eligible for deduction from profits of 100% of the cost incurred up to the extent of profits of the same year the expenditure is made but any unclaimed amount shall not be available for future deductions.

Training

For the purposes of income tax, any expenses incurred on training of local staff in an approved training programme, shall be eligible for deduction from profits of 100% of the cost incurred up to the extent of profits of the same year the expenditure is made but any unclaimed amount shall not be available for future deductions.

C. FOREIGN TAX RELIEF

- A resident taxpayer is entitled to an allowable tax credit in respect of foreign income tax borne by the taxpayer on assessable income derived from a foreign source.
- The allowable tax credit in respect of any foreign-source income may not exceed the Sierra Leone income tax on that foreign-source income, calculated by applying the average rate of Sierra Leone income tax to the foreign-source income reduced by any deduction properly allocated to that income.
- The allowable tax credit in respect of foreign-source income and the Sierra Leone income tax imposed on that income are calculated separately for each amount of foreign-source income derived by a taxpayer.
- Foreign-source income derived by a foreign branch of a resident company is aggregated and considered a single receipt of income.

Foreign Employment Income of Residents

Foreign-source employment income derived by a resident individual during a year of assessment from employment in a foreign country shall be exempt from income tax if the income is chargeable to tax in the foreign country.

D. CORPORATE GROUPS

There are no special rules existing for the taxation of groups.

E. RELATED PARTY TRANSACTIONS

Expenses incurred in these transactions are allowable. But the Commissioner General has power to re-characterise a transaction entered into as part of a tax avoidance scheme.

In line with paving the way for the enactment of Transfer Pricing regulations, the 2016 Finance Act requires transactions with a related party during the assessment year to disclose:

- The relationship with the related party;
- The volume and value of the transaction;
- The price charged and the basis or method of ascertaining that price;
- The comparative price for a similar transaction made with non-controlled entities or charged by non-controlled entities.

In light of the above, there will be increased scrutiny from the tax authorities on transactions between related parties

F. EXCHANGE CONTROL

Exchange controls are under the direct supervision of the Corporate Affairs Commission (CAC) and the Bank of Sierra Leone (BoSL). Application must be made in first instance to the CAC for approval before proceeding to the BoSL for concurrence and granting of an Exchange Control Permit (ECP).

DIAMOND EXPORTING

- Residents and non-residents are allowed to finance their diamond operations in Sierra Leone in United States Dollars, in notes, drafts or bank transfers.
- Diamond Exporters should ensure that moneys brought into Sierra Leone for their transactions are channelled through the banking system. Foreign exchange could be brought into Sierra Leone in any of the following ways:
  a) Letter of Credit
  b) Telegraphic Transfer
  c) Cash Dollar Notes
- For b) and c) above, Diamond Exporters will be allowed to export up to the amount of funds confirmed by the commercial banks as brought in.
- On a quarterly basis, commercial banks will be required to submit to the Bank of Sierra Leone returns on the inflows and outflows in respect of each licensed exporter.
- The list of commercial banks in Sierra Leone at any point in time would be obtained from the Bank of Sierra Leone.

G. PERSONAL TAX

Pay-As-You-Earn [PAYE] Rates of Tax Applicable to Individual Resident in Sierra Leone

The minimum monthly wage is SLL 600,000 and non-taxable monthly allowance is SLL 600,000. PAYE tax calculation is done on a graduating scale as follows:

If Annual chargeable income is (SLL)	The Tax Rate is
Less than or equal to 7,200,000	Nil
>7,200,000 but up to 14,400,000	15%
>14,400,000 but up to 21,600,000	20%
>21,600,000 but up to 28,800,000	25%
Over 28,800,000	30%

H. TREATY AND NON-TREATY WITHHOLDING TAX RATES

	Dividends		Interest (%)	Royalties (%)
	Individuals, companies (%)	Qualifying companies (%)		
Domestic rates				
Companies	10	10	15	25
Individuals	10	--	15	25
Treaty countries:				
Norway	--[1]	--[1]	0	0
South Africa	--[1]	--[1]	--[1]	--[1]
United Kingdom	0	0	--[1]	0

Notes:

1. No reduction under the treaty, the domestic withholding tax rate applies.

WITHHOLDING TAX RATES

(a) **Rates of Tax to be withheld from Payments made to <u>Residents</u>:**

<u>Types of Payment Rates</u>

Payments to contractors: 5.5%

Dividends: 10%

Interests: 15%

Rents: 10%

Royalties: 25%

Pensions and annuities: 15%

Natural resource payments: 25%

Winnings of SLL 500,000 and above from any lottery: 10%

(b) **Rates of Tax to be withheld from Payments made to <u>Non-Residents</u>:**

Employment income: 25%

Payments to contractors: 10.5%

Dividends: 10%

Interest: 15%

Rents: 10%

Royalties: 25%

Pensions and annuities: 25%

Natural resource payments: 25%

Payments to or applications for the benefit of non-resident beneficiaries: 25%

INVESTMENT INFORMATION

The Investment Promotions Act 2004 was enacted to promote and attract both domestic and foreign private investment for the development of production and value adding opportunities, to improve export and employment opportunities. The Act provides for several incentives for investors (Sections 8-10):

- Expatriate personnel with work permits shall be permitted to make remittances abroad through their commercial banks, subject to such withholding tax obligations as are contained in the Income Tax Act 2000;
- The remittance of profits, after taxes, earned by a foreign investor from a business enterprise, is guaranteed as constituting current international transactions in respect of which payments transferred abroad shall be allowed without restriction;
- An investor may freely repatriate proceeds received from the liquidation of a business enterprise and awards resulting from any settlement of disputes in respect of such business enterprise;
- There shall be no restriction on the transfer of repayments of principal and interest on an arms-length third party loan contracted outside Sierra Leone and registered with the Bank of Sierra Leone but interest payments due on such loans may be subject to the withholding tax obligations in the Income Tax Act, 2000.

RESIDENCE AND WORK PERMIT

All foreign citizens are required to obtain a work permit from the Ministry of Labour.

OTHER PROVISIONS

Tax exemption for mini-grids

Businesses engaging in the provision or supply of renewable energy from solar mini-grids in Sierra Leone shall be eligible for a five-year corporate tax relief, commencing from the date of registering first commercial production or 1 January 2021, whichever comes later.

However, the exemption can only be granted provided the relief is fully reflected in the tariff price negotiated between the government and the business concerned.

Common External Tariff

Section 26 of the 2018 Finance Act states that the ECOWAS Common External Tariff (CET) shall come into force on the date ECOWAS accepts Sierra Leone's 3% ECOWAS preferential rates.

Rental tax Amendment

Section 120 of the Income Tax Act,2000 (as amended in the Finance Act, 2018) is repealed and replaced with new sub-paragraphs which increase the non-taxable threshold in the aggregate from SLL 6,000,000 to SLL 7,200,000.

Import duty amendment

The Schedule to the Customs Tariff Act, 1978 is amended in Part II by inserting the following-

- All raw materials, semi-processed and finished products, properly labelled for use as input into the production of goods by manufacturing companies will attract an import duty of 5% instead of 20%;
- Products imported by Packaging Industries will attract an import duty of 10%.

This should encourage manufacturing and reduce Sierra Leone's dependency on imports. This is also good for the "Made in Sierra Leone" product initiative.

SINGAPORE

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MEMBER FIRM

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BASIC FACTS

Full name:	Republic of Singapore
Capital:	Singapore
Main languages:	English, Malay, Mandarin, Tamil
Population:	5.93 million (2022 estimate)
Monetary unit:	Singapore Dollar (SGD)
Internet domain:	.sg
Int. dialling code:	+65